

HOUSE BILL REPORT

SB 6617

As Reported By House Committee On: Financial Institutions & Insurance

Title: An act relating to the powers of the director to impose fines or sanctions against mortgage brokers.

Brief Description: Imposing fines or sanctions against mortgage brokers.

Sponsors: Senators Prentice, Sellar and Fraser; by request of Department of Financial Institutions.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/15/96 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 14 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Scheuerman, Assistant Ranking Minority Member; Benton; Campbell; Dellwo; Grant; Huff; Keiser; Kessler; Pelesky and D. Sommers.

Staff: Charlie Gavigan (786-7340).

Background: The Legislature adopted a temporary Mortgage Broker Licensing Program during the 1993 session and made this program permanent in 1994. Mortgage brokers are regulated by the Department of Financial Institutions.

A number of prohibited practices are specified that mortgage brokers, employees of mortgage brokers, and mortgage bankers must not violate. A mortgage broker is liable for violations of the act by his or her loan originators.

Some persons who are exempt from the mortgage brokers licensing requirements, including most mortgage bankers, are required to comply with the prohibited practices sections of the act. In addition, they are subject to the director of the Department of Financial Institution's authority to issue cease and desist orders for violations of the prohibited practices and to obtain and review documents relevant to alleged violations of these practices.

The director may impose penalties for violations of the cease and desist orders or other orders of the director, or remove or bar from the industry any principal, employee, or loan originator of a licensee.

Summary of Bill: The director of the Department of Financial Institutions' authority to deny licenses, suspend or revoke licenses, and impose fines and penalties for certain actions is clarified. The director is given explicit authority to impose penalties or fines for specific violations of the Mortgage Broker's Practices Act, such as engaging in prohibited practices.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: This act shall take effect July 1, 1996.

Testimony For: This bill is necessary to clarify the department's ability to impose fines on persons engaging in prohibited practices.

Testimony Against: None.

Testified: Mark Thompson, Department of Financial Institutions (supports).